

CITY OF MILL CREEK
Snohomish County, Washington
Special Audit
December 12, 1995 Through April 12, 1996

Schedule Of Findings

1. Public Funds Were Misappropriated From The Police Department

Our audit of the financial records of the police department revealed that at least \$2,629 in public funds was misappropriated by a records clerk during the period December 12, 1995, through April 12, 1996. There were no federal funds involved in this case. These funds were misappropriated as described below.

- a. Cash receipts from recorded cash collections were taken by the records clerk. These collections included fees and fines associated with animal licenses, animal impounds, firearm permits, fingerprints, and traffic and parking violations. Employees initially recorded customer payments by mode of payment on cash receipt forms in the police department. While cash receipt forms were issued for all cash collections, currency from transactions paid in cash was not subsequently deposited in the bank. The records clerk also omitted the receipt numbers for cash transactions from bank deposit slips she prepared for the traffic violations bureau. The amount of loss from this method was \$2,538.
- b. Currency stored in the police department's evidence room was also taken by the records clerk. City management officials reviewed evidence room accountability records to determine whether all property and funds were properly accounted for and controlled. Their review determined that \$91 was missing and that these funds were under the direct control of the records clerk. During our special audit, we reviewed the work performed by the city and agree with their findings and conclusions.

The records clerk recorded cash receipt transactions and prepared bank deposits or turned in funds to the city treasurer, as appropriate. She was also responsible for property stored in the evidence room. However, she was unable to provide a reasonable explanation for cash shortages in the traffic violations bureau when we discussed these irregularities with her on April 23, 1996. Her employment with the city was terminated on April 25, 1996. The records clerk subsequently admitted taking these funds for her own personal use during an interview with investigators from the City of Everett police department on May 2, 1996.

RCW 42.20.070 states:

Misappropriation and falsification of accounts by public officer.

Every public officer, and every other person receiving money on behalf or for or on account of the people of the state or of any

department of the state government or of any bureau or fund created by law in which the people are directly or indirectly interested, or for or on account of any county, city, town, or any school, diking, drainage, or irrigation district, who:

(1) Shall appropriate to his or her own use or the use of any person not entitled thereto, without authority of law, any money so received by him or her as such officer or otherwise; or

(2) Shall knowingly keep any false account, or make any false entry or erasure in any account, of or relating to any money so received by him or her; or

(3) Shall fraudulently alter, falsify, conceal, destroy or obliterate any such account; or

(4) Shall willfully omit or refuse to pay over to the state, its officer or agent authorized by law to receive the same, or to such county, city, town, or such school, diking, drainage, or irrigation district or to the proper officer or authority empowered to demand and receive the same, any money received by him or her as such officer when it is a duty imposed upon him or her by law to pay over and account for the same, shall be punished by imprisonment in a state correctional facility for not more than fifteen years.

The following internal control weaknesses allowed the records clerk to conceal these losses without being detected by management officials.

- a. There was an inadequate segregation of duties. Most of the accounting duties in the cash receipting function of the police department were the sole responsibility of the records clerk. However, there was no periodic management review of the work performed by the records clerk which would accomplish the same objective as a segregation of duties between two or more employees.
- b. Bank deposits were not reconciled to recorded cash receipts in the traffic violations bureau, or to revenue recorded in the traffic citation tracking system by an employee independent of the police department cash receipting function.
- c. Bank deposits were not made intact daily in the traffic violations bureau. During the period of these losses, funds were stored in the police department for periods of time ranging from three to five weeks without being deposited in the bank.

We recommend the city seek recovery of the misappropriated \$2,629 and related audit/investigation costs from the records clerk and its insurance bonding company. We further recommend the Washington State Office of the Attorney General and the Snohomish County Prosecuting Attorney review this matter and take whatever action is deemed necessary under the circumstances. Any compromise or settlement of this claim must be approved in writing by the Attorney General and State Auditor as directed by RCW 43.09.260.

Bond coverage for city employees is as follows:

Washington Cities Insurance Authority
Certificate Numbers 95W-CIA071-93-F and 96W-CIA071-93-F
Public Dishonesty Bond
\$250,000 Coverage With No Deductible Provision
January 1, 1995, to January 1, 1997

We also recommend the city review overall accounting controls for public funds in the police department, correct the weaknesses identified above, and implement a system of internal control designed to ensure the protection of public assets.